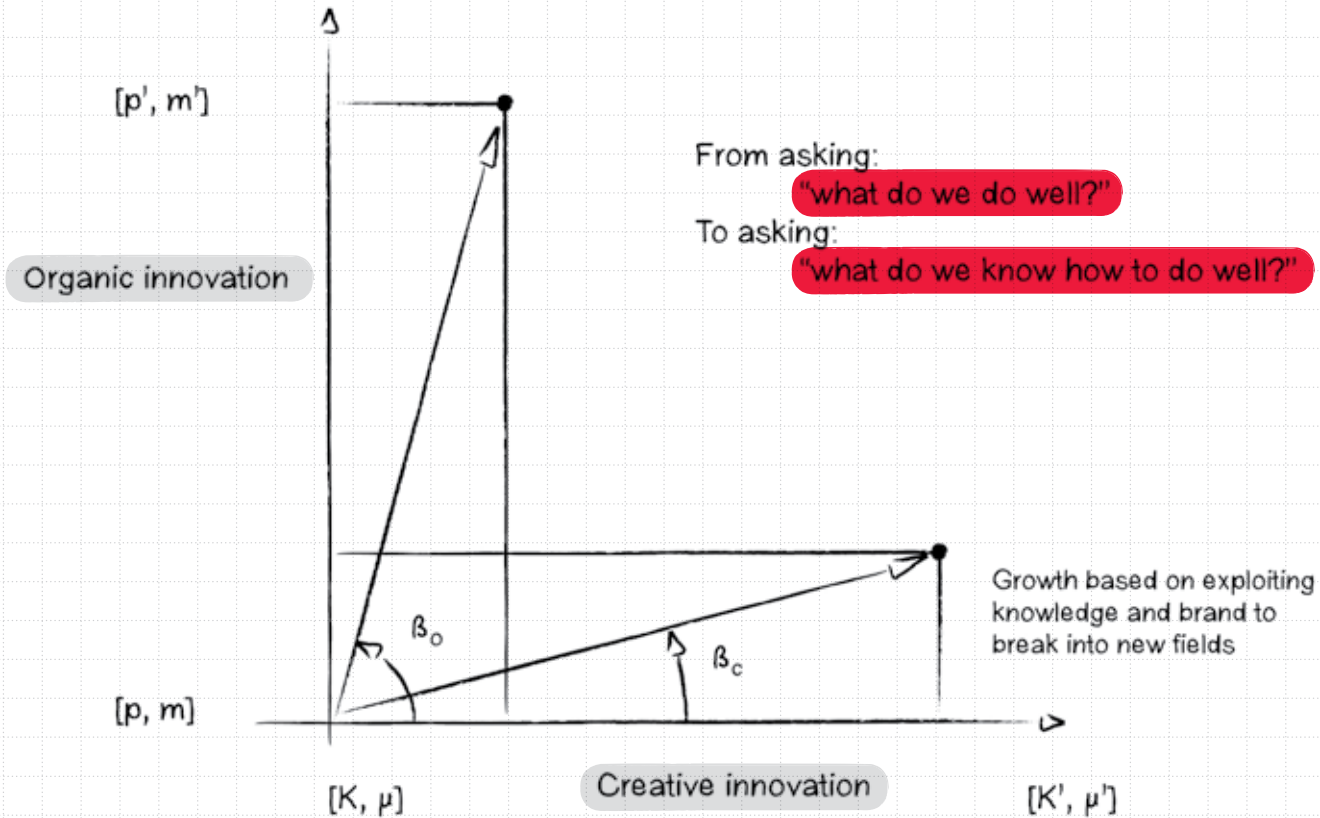


Linear business combinations



A company is usually made up of a series of business divisions that are generally *product-market pairs* [p,m]. So a bank might have a mortgage division (product) for immigrants (market), or a credit division (product) for self-employed people (market). These are two paired divisions among many others: [mortgages *for* immigrants] and [credit *for* self-employed people]. Taking these pairs as starting points, companies usually “progress” in two directions.

First, from pre-existing pairs [p,m] of products and markets, new pairs [p',m'] are thought up of new products for new markets (what is well-known in marketing as the *Ansoff matrix*). For example, in the case of a bank, the credit division can come up with a form of credit (a new product) for students (a new market). And in reality, on its way to this end, it might also find new markets for a specific product [p,m'], or new products for a specific market [p',m].

And second, starting with the current pairs [p,m], the *differential* knowledge of the organisation can be investigated and the *know-how* exploited in different directions. This knowledge should then be synthesised into *knowledge and brand pairs* [k,μ]. A toy company that knows about family needs (knowledge of the market) and that is respected within that market (a recognised brand) can offer many new products and services that extend far beyond their current portfolio. For example, they might come up with a new concept of family holidays.

This means that a company can experience growth in two directions

simultaneously: *exploitation* of new product-markets, and *exploration* of knowledge-brands; that is, the maximum development of what it already knows, and the discovery of what it can do, by applying the *activating factors* of experience and brand. And if it wants to remain consistent to this idea, the fundamental question to ask is not “what do we do well?” but “what do we know how to do well?”, which is not the same at all. The first is a result of the past (“we do this well because we’ve been doing it for years, and because the company has always done it this way”). But the second defines the organisation’s future story (“we will do this because we are capable of doing it, and because it improves our competitive situation in the market”). The growth in exploitation comes from optimising the organisation’s *past*, and the growth in exploration is founded in the design of the organisation’s *future*.

Finally, the \mathcal{D} angle measures the specific linear combination of *organic* growth (new product-markets) and *creative* growth (new knowledge-market) that the company defines as its strategic equation. The intelligent management of this \mathcal{D} angle will be one of the main functions of company direction in organisations in the next few decades. Knowing how to find the most appropriate combination (how much exploitation and how much exploration) for our organisation and our market will be of crucial importance.